Brascade Resources Inc.

2000 Annual Report

Brascade Resources Inc.

Brascade is a natural resources investment company with interests in the mining and metals and forest products sectors. Its two affiliates, Noranda Inc. and Nexfor Inc., currently employ over 23,000 people with operations located in North and South America and Europe.

Directors

Lowell A. Allen [1]
Corporate Director

Robert A. Dunford
Group Chairman, Energy Operations
Brascan Corporation

Edward C. Kress [1]
Executive Vice-President
Brascan Corporation

Richard Legault
Senior Vice-President and
Chief Financial Officer
Brascan Corporation

Duncan A. McAlpine [1]
Corporate Director

Officers

Edward C. Kress
Chairman and President

Craig J. Laurie
Vice-President and Controller

Trevor D. Kerr
Vice-President and Treasurer

Alan V. Dean
Vice-President and Secretary

1 Member of the Audit and Corporate Governance Committee

Corporate Governance

The company's report on its corporate governance practices, including the mandate of the Board and its Committee, can be found in the Management Proxy Circular dated March 21, 2001.

Contents

Brascade's net income for 2000 was $109 million. Income from continuing operations increased to $103 million from $76 million in 1999, mainly as a result of improved earnings from mining and metals operations. Net income for 2000 also included a gain of $6 million realized on the sale of Nexfor's remaining interest in the Great Lakes Hydro Income Fund. Net income for 1999 of $224 million included gains of $143 million realized mainly on the sale of the company's interest in Canadian Hunter.

Operations

Mining and metals operations contributed $78 million to revenue in 2000, up from $48 million in 1999 due mainly to higher prices for nickel and aluminum partly offset by higher energy prices and the impact of a strike at the Falconbridge nickel operations in Sudbury. Noranda completed the first group of projects identified under its Six Sigma productivity improvement program, which improved its pre-tax earnings by $34 million.

Forest product operations contributed $23 million to revenue in 2000, compared to $25 million in 1999. A recovery in pulp and paper markets was partly offset by higher energy prices and lower prices for lumber and panelboards.

Progress continued during 2000 on advancing the capital investment programs of Brascade's affiliates. Among the projects substantially completed and now in the commissioning or start-up phase are the New Madrid aluminum smelter expansion in Missouri and the Joanna oriented strandboard mill in South Carolina. Work continued on several major projects, including the Antamina copper-zinc mine in Peru, the Magnola magnesium plant in Quebec and the Huntingdon aluminum foil mill in Tennessee. New projects which commenced construction in 2000 included the Altonorte copper smelter expansion in Chile and the Barton oriented strandboard mill in Alabama.

Business Outlook

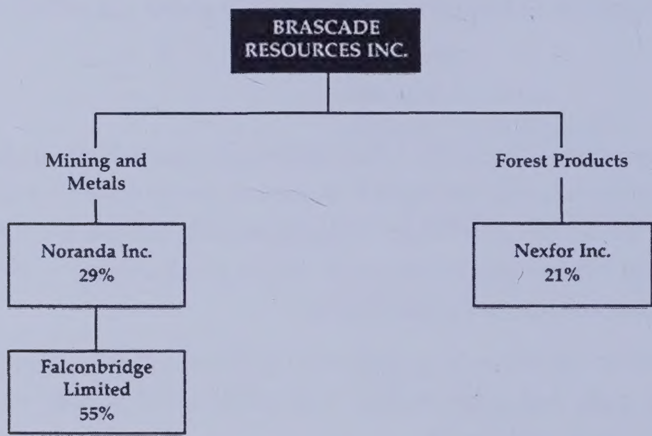
Despite growing concerns over an economic slowdown, market fundamentals for the company's major products remain favourable. The company's affiliates remain focussed on creating shareholder value by improving productivity and expanding their production base with high quality assets.

On behalf of the Board:

Edward C. Kress
Chairman and President

March 1, 2001

Brascade Resources Inc. ("Brascade" or "the company") is a natural resources investment company with interests in the mining and metals and forest products sectors. Brascade's ownership interests in its principal operating affiliates are shown in the following chart:



The following analysis describes the components of Brascade's revenues and expenses, the related assets and liabilities, and the business environment and risks facing the company.

Income Analysis

Brascade's net income was $108.7 million or $0.97 per common share in 2000, compared to $224.3 million or $2.62 per share in 1999. Income from continuing operations increased to $103.0 million in 2000 from $75.8 million in 1999.

Operating revenues increased to $107.5 million in 2000 from $80.3 million in 1999. Income from Brascade's investment in Noranda Inc. ("Noranda") increased to $77.9 million from $47.8 million in 1999. Income from the company's investment in Nexfor Inc. ("Nexfor") declined to $22.9 million in 2000 from $25.0 million in 1999. Other income, which includes interest on loans made to affiliates, was $6.7 million in 2000 compared to $7.5 million in 1999.

Expenses, which include general corporate costs and depreciation and amortization, were $4.5 million, the same as in 1999.

Included in 1999 net income were net gains of $143.1 million, mainly from the sale of the company's 29% interest in Canadian Hunter Exploration Ltd. ("Canadian Hunter") on which it recorded a net gain of $119.2 million, and $5.4 million of income from discontinued operations, being the contribution from Canadian Hunter before its sale in June 1999.

Also in 1999, Nexfor sold its 50% interest in Northwood Inc., a British Columbia-based lumber company, and its wholly-owned Maclaren Energy hydroelectric operations in western Quebec to the Great Lakes Hydro Income Fund (the "Income Fund"), in which it retained a 21% interest. Brascade's share of Nexfor's gains on these transactions was $23.9 million.

Nexfor's remaining 21% interest in the Income Fund was sold in May 2000. Brascade's share of the net gain on this sale in 2000 was $5.7 million.

Balance Sheet Analysis

Brascade's long-term investments currently consist of a 29% interest in Noranda and a 21% interest in Nexfor.

Shareholders' equity at the end of 2000 was $1,453.6 million, consisting of $545.1 million of preferred shares and $908.5 million of common equity.

On June 30, 1999, the company redeemed its 9% Class A preference shares for net proceeds of $71.1 million and paid a special dividend of $234.5 million to its common shareholders.

Cash Flow

Cash flow from operations was $73.1 million in 2000, compared to $73.9 million in 1999. Brascade's corporate cash inflow is comprised of dividends from Noranda and Nexfor, and interest earned on cash and loans receivable. In the normal course of the company's business, cash flow is also generated through the sale of investments. The net annual corporate cash inflow, after payment of preferred share dividends, is currently approximately $30 million.

Business Environment and Risks

Brascade's natural resource operations are cyclical. Fluctuations in the general level of economic activity in the world's major economies influence the demand for and prices of the various natural resource products, although the cycles for individual products may be at different phases at any time. Brascade's earnings are particularly sensitive to changes in the prices of zinc, copper, nickel and aluminum, and in the prices of oriented strandboard, other panels and paper. There is also the risk that the development costs of plants and ore-bodies may exceed target levels or that the characteristics of an ore-body may not accord with drilling expectations.

Since a substantial portion of the company's natural resource production is sold at world prices either in export markets or in Canada, fluctuations in the value of the Canadian dollar relative to other currencies have a significant effect on Brascade's revenues and earnings. Lower interest rates have a favourable effect on Brascade's earnings because its affiliates have debt at floating interest rates and because Brascade's preferred share dividends fluctuate to some extent with movements in the prime interest rate.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements and other financial information have been prepared by the management of the Company who are responsible for their integrity and objectivity. To fulfill this responsibility, the Company maintains systems of internal control and policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs, and are designed to provide reasonable assurance that relevant and reliable financial information is produced. These statements have been prepared in conformity with Canadian generally accepted accounting principles and, where appropriate, reflect estimates based on judgments of management. The financial information presented throughout this annual report is consistent with the information contained in the financial statements.

Deloitte & Touche LLP, the independent auditors appointed by the shareholders, have examined the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report as auditors is set out below.

The financial statements have been further examined by the Board of Directors and its Audit Committee, which meets with the auditors and management to review the activities of each. The Audit Committee reports to the Board of Directors. The auditors have direct and full access to the Audit Committee and meet with the Committee both with and without the presence of management. The Board of Directors, through its Audit Committee, oversees management's financial reporting responsibilities and is responsible for reviewing and approving the financial statements.

Toronto, Canada
March 1, 2001

Craig J. Laurie
Vice-President and Controller

AUDITORS' REPORT

TO THE SHAREHOLDERS:

We have audited the balance sheets of Brascade Resources Inc. as at December 31, 2000 and 1999 and the statements of operations, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Toronto, Canada
March 1, 2001

Chartered Accountants

BALANCE SHEET

December 31

millions	Note	2000	1999
Assets			
Loans receivable	2	**$ 55.6**	$ 26.1
Long-term corporate investments	3	**1,398.5**	1,417.9
		$1,454.1	$1,444.0
Liabilities			
Accounts payable		**$ 0.5**	$ 0.5
Deferred credits	4	**—**	60.0
Shareholders' equity	5	**1,453.6**	1,383.5
		$1,454.1	$1,444.0

On behalf of the Board:

Edward C. Kress
Director

Lowell A. Allen
Director

STATEMENT OF OPERATIONS

Years ended December 31

millions, except per share amounts	Note	2000	1999
Share of Affiliate Revenue		**$ 2,466**	$ 2,323
Revenues			
Income from Noranda Inc.		**$ 77.9**	$ 47.8
Income from Nexfor Inc.		**22.9**	25.0
Other income		**6.7**	7.5
		107.5	80.3
Expenses			
Corporate		**0.1**	0.1
Depreciation and amortization		**4.4**	4.4
		4.5	4.5
Income from continuing operations		**103.0**	75.8
Income from discontinued operations		**—**	5.4
Gain on sale of discontinued operations	8	**5.7**	143.1
Net income		**$ 108.7**	$ 224.3
Per common share			
Income from continuing operations		**$ 0.89**	$ 0.40
Net income		**$ 0.97**	$ 2.62

STATEMENT OF RETAINED EARNINGS

Years ended December 31

millions	Note	2000	1999
Retained earnings, beginning of year		**$ 8.8**	$ 68.0
Adjusted for change in accounting policies	1	**5.0**	—
Net income for year		**108.7**	224.3
		122.5	292.3
Shareholder distributions			
Common share dividends	5	—	234.5
Preferred share dividends		**43.6**	49.0
Retained earnings, end of year		**$ 78.9**	$ 8.8

STATEMENT OF CASH FLOWS

Years ended December 31

millions	Note	2000	1999
Cash provided from operations	7	**$ 73.1**	$ 73.9
Financing and shareholder distributions			
Redemption of Series A preferred shares, net		—	(71.1)
Preferred share dividends		**(43.6)**	(49.0)
Common share dividends		—	(234.5)
		(43.6)	(354.6)
Investing			
Proceeds from sale of Canadian Hunter		—	239.0
		—	239.0
Loans receivable			
Increase (decrease)		**29.5**	(41.7)
Balance, beginning of year		**26.1**	67.8
Balance, end of year		**$ 55.6**	$ 26.1

See note 1

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Accounting for Investments

Long-Term Corporate Investments

Brascade Resources Inc. ("Brascade" or the "company") accounts for its long-term corporate investments on the equity basis. The excess of acquisition costs over the underlying net book value of these investments is amortized over its estimated useful life and is included in depreciation and amortization expense. The company evaluates the carrying value of this excess for potential impairment on a regular basis. Management assesses the recoverability of this excess based on a review of expected future operating income on an undiscounted basis.

Statement of Cash Flows

The company places all surplus cash on deposit with its major shareholder, Brascan Corporation ("Brascan"), at market interest rates. These deposits are available on demand and are used by the company to fund its cash requirements.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Change in Accounting Policies

The company has adopted the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for income taxes and employee future benefits. These changes have been applied as of January 1, 2000. The effect of adopting these new recommendations was a decrease to corporate investments of $55 million, a decrease in deferred credits of $60 million and an increase to retained earnings of $5 million. The company's financial statements for 1999 have not been restated.

2. Loans Receivable

Loans receivable represent funds on deposit with Brascade's major shareholder, which earn interest at the prime rate and are due on demand. In 2000, interest income of $2.9 million (1999 - $3.8 million) was earned on these loans.

The fair value of the loans receivable approximated the carrying value at December 31, 2000 and 1999.

3. Long-Term Corporate Investments

millions	**2000**	1999
Noranda Inc.		
Convertible debentures, at cost	**$ 76.9**	$ 76.9
Common shares	**1,046.2**	1,075.3
Nexfor Inc.		
Common shares	**275.4**	265.7
	$1,398.5	$1,417.9

On December 31, 1998, Noranda Inc. ("Noranda") distributed its common shares of Nexfor Inc. ("Nexfor") and Canadian Hunter Exploration Inc. ("Canadian Hunter") by way of a special dividend. As a result, Brascade received 29,772,102 or 19% of Nexfor common shares and, 17,071,160 or 29% of Canadian Hunter common shares. In June 1999, Brascade sold its 29% interest in Canadian Hunter to Brascan.

The company continues to own 68,284,639 common shares of Noranda and the equivalent of 2,722,323 common shares in the form of convertible debentures, representing a 29% interest (1999 - 29%). The conversion price of the convertible debentures was reset after the distribution.

4. Deferred Credits

Deferred credits are comprised of deferred income taxes.

5. Shareholders' Equity

Authorized Share Capital:

Unlimited Senior preferred shares issuable in series
Unlimited Preferred shares issuable in series
Unlimited Junior participating preferred shares
Unlimited Common shares

Issued and Outstanding:

millions, except number of shares	2000	1999
10,501,528 Preferred shares Series B (1999 - 10,501,528)	**$ 420.1**	$ 420.1
3,125,000 Preferred shares Series C (1999 - 3,125,000)	**125.0**	125.0
	545.1	545.1
66,999,326 Common shares (1999 - 66,999,326)	**779.6**	779.6
Contributed surplus	**50.0**	50.0
Retained earnings	**78.9**	8.8
	$ 1,453.6	$ 1,383.5

No senior preferred shares or junior participating preferred shares have been issued to date. The attributes of the senior preferred shares will be determined by the directors of the company on issuance.

The following rights and privileges apply to the outstanding preferred shares:

(i) entitlement to cumulative quarterly dividends calculated on the issue price of $40.00 per share at a variable rate, equal to 1 1/2% plus 1/2 of the average daily prime lending rate of a specified Canadian chartered bank, subject to a minimum rate on an annual basis of 8% for the Series B and C shares;

(ii) redeemable at the company's option at any time at $40.00 per share plus accrued and unpaid dividends thereon; and

(iii) fully voting on the basis of one vote per share.

During 1999, the company redeemed all of its outstanding Series A preferred shares at $40.00 per share. Brascan contributed $50 million of the Series A preferred shares which it owned to contributed surplus.

On June 30, 1999, the company paid a special dividend of $3.50 per share to its common shareholders for an outlay of $234 million.

6. Income Taxes

The company has no income tax expense since its investment and equity income is non-taxable. The company has non-capital tax losses of approximately $5 million which principally expire in 2005.

7. Other Information

(a) Cash from operations:

millions	2000	1999
Income from continuing and discontinued operations	**$108.7**	$ 81.2
Add (deduct) non-cash items:		
Depreciation and amortization	**4.4**	4.4
Equity income in excess of dividends received	**(40.0)**	(11.7)
	$ 73.1	$ 73.9

(b) The company and its associates arrange investment transactions between themselves without transaction costs and all such transactions are at normal market terms.

(c) Certain of the prior year's accounts have been reclassified to the presentation adopted in 2000.

8. Investment Gains

millions	2000	1999
Canadian Hunter	**$ —**	$ 119.2
Nexfor	**5.7**	23.9
Investment gains	**$ 5.7**	$ 143.1

During 1999, the company completed the sale of its 29% common share interest in Canadian Hunter to Brascan for $239 million. Brascade received cash and recorded a $119.2 million gain on the sale. Included in income from discontinued operations in 1999 was $5.4 million, representing Brascade's share of income from Canadian Hunter prior to the date of the sale.

During 1999, Nexfor sold its investment in Northwood Inc. and its Maclaren Energy hydroelectric operations to the Great Lakes Hydro Income Fund ("Income Fund"), in which it retained a 21% interest, for total proceeds of $545 million. Brascade's share of the net gain on the transactions are calculated as follows:

millions	
Sale proceeds	$ 545
Carried value of investments	(213)
Provisions for taxes and other items	(244)
Minority interests and deferred portion	(64)
Brascade's share of gain	$ 24

In May 2000, Nexfor sold its remaining 21% interest in the Income Fund. Brascade's share of the net gain on this transaction was $5.7 million.

Head Office

Brascade Resources Inc.

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Facsimile: 416-363-2856

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CIBC Mellon Trust Company

P.O. Box 7010, Adelaide Street Postal Station
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9

Telephone:	416-643-5500 or 1-800-387-0825 (Toll-free within North America)
Facsimile:	416-643-5501
Web site:	www.cibcmellon.com
E-mail:	inquiries@cibcmellon.com

Stock Exchange Listings

The Preferred Shares, Series B of Brascade are listed on The Toronto Stock Exchange under the symbol **BCA.PR.B**.

Annual Meeting

The company's 2001 Annual Meeting of Shareholders will be held at 10:30 a.m. on Wednesday, May 9, 2001 at the company's head office at BCE Place, Suite 4400, 181 Bay Street, Toronto, Ontario.

Brascade Resources Inc.

Printed in Canada